

TABLE OF CONTENTS

	PAGE
EXECUTIVE SUMMARY Click Here To View	i
INTRODUCTION	1
SCOPE AND METHODOLOGY	6
FINDING I	
THE LIBRARY NEEDS TO FORMALIZE ITS COLLECTION DEVELOPMENT PROCESS	7
The American Library Association Has Cited The Benefits And Elements Of A Formal Collection Development Plan	7
The Library Has Not Developed A Formal Collection Development Plan	9
Existing Draft Collection Statements Should Be Completed And Expanded To Include Key Elements	10
CONCLUSION	12
RECOMMENDATIONS	13
FINDING II	
THE LIBRARY NEEDS TO IMPROVE ITS VENDOR SELECTION PROCESS	15
The Library Has Not Been Formally Delegated Purchasing Authority	15
Prescribed City Purchasing Practices	17
Formal Bidding	18
Open Market	19
Open Purchase Orders	20
Noncompliance With City Code Requirements.....	21
The Library Needs To Document Its Vendor Selection Process	26

CONCLUSION	29
RECOMMENDATIONS.....	30
FINDING III	
THE LIBRARY CAN IMPROVE ITS MATERIALS ORDERING PROCESS.....	32
The Library Needs To Tighten Its Controls Over The Authorization And Acceptance Of Orders	32
Consolidating Purchase Orders Can Significantly Reduce The Workload Of The Technical Services Section	34
Opportunities Exist For The Library To Increase Its Rate Of Order Consolidation	37
CONCLUSION	39
RECOMMENDATIONS	40
FINDING IV	
THE LIBRARY NEEDS TO IMPROVE CONTROLS OVER ITS PURCHASE ORDERS	42
The Library Needs To Improve Its Accounting For Purchase Order Numbers Issued By INNOVACQ	42
The Library Needs To Improve Procedures For Cancelling Expired Purchase Orders	44
The Library Needs To Improve Its System For Retrieving Source Documentation For Purchase Orders	45
An Opportunity Exists For Librarians To Track Purchases In A More Efficient Manner	47
CONCLUSION	48
RECOMMENDATIONS	49
FINDING V	
THE LIBRARY NEEDS TO STRENGTHEN ITS CONTROLS OVER THE LOCAL PURCHASE PROCESS	51
Growth In Local Purchases Increases The Need For Stronger Internal Controls	51

The Library Needs A Written Policy That Defines When The Local Purchase Process Should Be Used	52
The Library Does Not Fully Comply With Its Authorization Procedures For Local Purchases	53
Librarians Exceed Their Authorized Spending Limits On 26 Percent Of Local Purchases	54
The Library Lacks Sufficient Control Over The Receipt Of Local Purchase Materials	55
The Library Does Not Verify That Vendors Discount Local Purchases As Agreed	57
CONCLUSION	59
RECOMMENDATIONS	60
FINDING VI	
THE LIBRARY NEEDS ADDITIONAL CONTROLS OVER ITS LEASED BOOK COLLECTION	63
The Lease Agreement	63
The Library Does Not Report Lost Leased Books In A Timely Manner	64
The Library Is Not Verifying The Accuracy Of The Lessor's Records	65
CONCLUSION	66
RECOMMENDATIONS	67
FINDING VII	
THE LIBRARY NEEDS TO DEVELOP A BOOKSTOCK GOAL THAT IS ATTAINABLE AND APPROPRIATE FOR A CITY THE SIZE OF SAN JOSE	68
The Horizon 2000 Plan's Bookstock Goal Is Unrealistic	68
The Horizon 2000 Plan's Books Per Capita Goal Is Questionable	70
CONCLUSION	74
RECOMMENDATIONS	74

FINDING VIII
THE LIBRARY DOES NOT HAVE CURRENT
WRITTEN PROCEDURES FOR SOME OF ITS UNITS 75

The Library Does Not Have Current
Written Procedures Documenting All Staff Functions 75

CONCLUSION 76

RECOMMENDATIONS 76

APPENDIX A

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DEFINITIONS OF PRIORITY 1, 2, AND 3
AUDIT RECOMMENDATIONSA-1

INTRODUCTION

The San Jose Public Library (Library) was formed by City Council Resolution on April 30, 1880. Since then, the Library has grown to a system which includes a 113,800 square foot main facility, seventeen branches and a bookmobile that provides service to over 50 locations.

Department Mission

The mission of the Library Department is:

“To meet the intellectual, cultural, and recreational needs of each person in the community by providing and making accessible a representative collection of materials for education, enrichment, and entertainment.”

To achieve its mission, the Library acquires, organizes and makes available materials of interest to the public. These materials include books, periodicals, pamphlets, documents, microforms, tapes, recordings, films, art prints and other such items that record the thought, expression and opinion of mankind. The Library offers the public the following services:

- ◆ Reference service, interlibrary loans, readers’ assistance, circulation service, and programs for citizens of all ages;
- ◆ Collection of books, records, audio cassettes and other materials for circulation;
- ◆ Periodical collection;
- ◆ Foreign language collection; and
- ◆ Programs for children, young adults and adults.

The Library also offers a number of other services such as the Silicon Valley Information Center, the bookmobile, the Biblioteca Latino Americana Branch, on-line computer reference services, the Media Center, a career file, public meeting rooms, and extensive local history in the California Room.

The Library enhances the services and materials available to patrons through an inter-library loan system called the South Bay Cooperative Library System. This system links the resources of all the public libraries in Santa Clara and San Benito Counties. The Library also participates in the SouthNet Reference Center which searches public, academic and corporate libraries and electronic databases for information on a local, regional and national level.

Operating Budget

The Library's 1989-90 operating budget is \$12,801,477. The Library's budget is allocated to its four programs as follows:

TABLE I

**SUMMARY OF THE LIBRARY'S
1989-90 BUDGET BY PROGRAM**

<u>Program</u>	<u>Personal Services</u>	<u>Non-Personal</u>	<u>Total</u>
Management and Administration	\$811,967	\$74,927	\$886,894
Support Services	1,301,313	252,351	1,553,664
Main Library Services	4,181,195	378,953	4,560,148
Branch Library Services	<u>5,506,296</u>	<u>294,475</u>	<u>5,800,771</u>
TOTAL	<u>\$11,800,771</u>	<u>\$1,000,706</u>	<u>\$12,801,477</u>
<u>Capital Budget</u>			

For fiscal year 1989-90, the Library is budgeted \$3,340,600 in capital funds. These funds are to be used to pay for books and other library materials, building improvements and other capital projects. The Library's budget for book and non-book materials is \$1,589,000, or 48 percent of its capital budget. The budget allocations for book and non-book materials acquisitions are shown in TABLE II below:

TABLE II
THE LIBRARY'S 1989-90 BUDGET ALLOCATIONS
FOR BOOK AND NON-BOOK MATERIALS

<u>Project</u>	<u>Budget</u>
Book acquisition	\$1,284,000
Non-book materials acquisition	215,000
Book rental	<u>90,000</u>
TOTAL	<u>\$1,589,000</u>

Organization

The Library is organized into four organizational units: 1) Main Library and Support Services; 2) Administrative Services; 3) Personnel Services; and 4) Branch Library Services. The Library's organization chart and a brief description of the units' responsibilities are shown on the following page:

BUDGET UNIT	BUDGETED POSITIONS
Management and Administrative Services	17.1
Support Services	34.6
Main Library Services	112.0
Branch Library Services	155.1
TOTAL	318.8

CITY OF SAN JOSE
Library Department

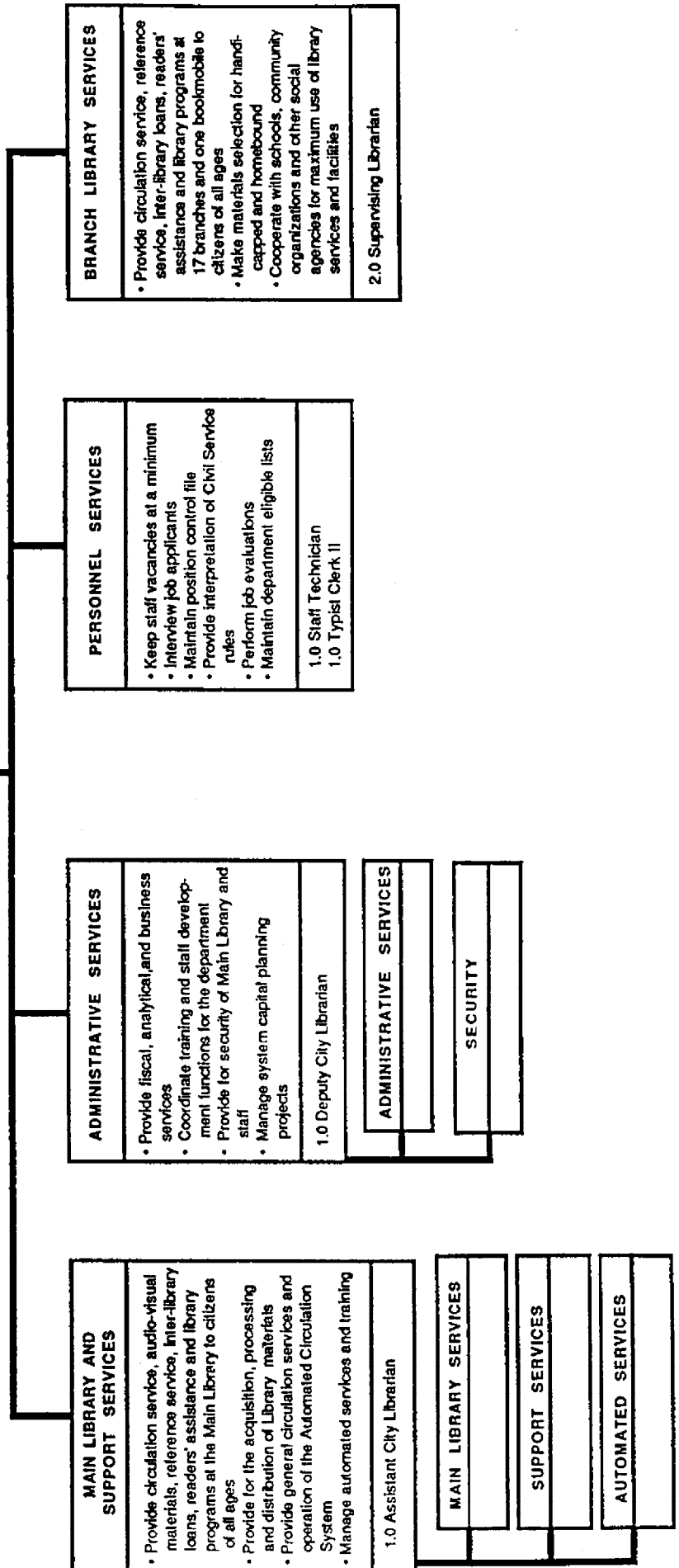
Function and Organization Chart
Date: September 1, 1988

LIBRARY DEPARTMENT
<ul style="list-style-type: none"> • Direct the implementation of work projects, work programs and Departmental objectives • Provide planning and evaluation of library services in relation to established goals • Provide administration of the operating budget, capital improvement projects, the Department's affirmation action program and cable TV complaints • Coordinate information exchange with other libraries and agencies • Maintain liaison with the California State Library • Initiate grant proposals • Coordinate programs for children, young adults, and adults for the Main Library and branches
1.0 City Librarian

CLERICAL SUPPORT
<ul style="list-style-type: none"> • Provide administrative and clerical support for Department, including mail sorting, phone answering, typing, filing and word processing • Provide staff support for the San Jose Library Commission
1.0 Typist Clerk II 1.0 Senior Word/Micro Processor Operator 0.7 Typist Clerk II P/T

1.0 Executive Secretary

LIBRARY COMMISSION
9 Members



As is shown in the organization chart, the Main Library and Support Services organizational unit is divided into three units: 1) Main Library Services, 2) Support Services, and 3) Automated Services. The Support Services section includes Technical Services which is responsible for the acquisition of books and non-book materials, and for preparing these materials for patron use.

To fulfill its responsibilities, Technical Services has developed and implemented procedures for acquiring library materials. These procedures include negotiating agreements with vendors, ordering materials, verifying the condition of materials received, and monitoring the expenditure of funds used to purchase book and non-book materials. In addition, Technical Services has established procedures for preparing materials for patron use. These procedures include cataloging, labeling and mending.

SCOPE AND METHODOLOGY

We reviewed the Library's collection development and materials acquisition activities to evaluate the adequacy of controls over the following processes:

- ◆ collection development
- ◆ materials selection
- ◆ vendor selection
- ◆ requisition handling
- ◆ order handling
- ◆ receiving
- ◆ book leasing
- ◆ local purchase of materials

To assess the adequacy of the Library's internal controls, we interviewed staff and flowcharted the Library's system of control. We analyzed the system of control to determine if it sufficiently limited the potential risks associated with the above processes. We then tested controls to determine if they were functioning properly.

We employed a variety of auditing techniques to test existing controls. Specifically, we sampled and analyzed various acquisition transactions, observed the Library's adherence to established procedures, interviewed staff and inventoried a sample of the Library's leased book collection. In addition, we reviewed professional literature and interviewed officials from other libraries.

FINDING I

THE LIBRARY NEEDS TO FORMALIZE ITS COLLECTION DEVELOPMENT PROCESS

The American Library Association has cited the need for libraries to establish a formal collection development policy and a comprehensive collection development plan. However, our review found that the Library has only drafted portions of a collection development plan and that those drafts are incomplete and not fully implemented. Without a formal collection development plan, the Library is limited in its ability to monitor progress towards specific collection goals and use its limited funds fairly and systematically to address competing collection development needs.

The American Library Association Has Cited The Benefits And Elements Of A Formal Collection Development Plan

The American Library Association has concluded that

“A written collection development policy statement is for any library a desirable tool, which: (a) enables selectors to work with greater consistency toward defined goals, thus shaping stronger collections and using funds more wisely; (b) informs library staff, users, administrators, trustees, and others as to the scope and nature of existing collections, and the plans for continuing development of resources; (c) provides information which will assist in the budgetary allocation process.”

(American Library Association, Guidelines for Collection Development, 1979)

In addition, the American Library Association has stated that a comprehensive collection development plan should do the following:

- ◆ Identify the clientele to be served; identify the long and short range needs of the clientele to be served; establish priorities for the allocation of resources to meet those needs;

- ◆ Establish the general subject boundaries of the collection;
- ◆ Define the kinds of programs or user needs supported;
- ◆ Establish general policies concerning: non-book materials (e.g. newspapers, videos), foreign language, and multiple copies of materials;
- ◆ Prepare a detailed analysis of collection development policy for each subject field including: existing strength of the collection area, current level of collecting activity, goals and objectives for that area, and library unit or selector with primary responsibility for that area;
- ◆ Establish procedures to review the policy at regular intervals to ensure that changes in defined goals, user needs, and priorities are recognized and that changing budgetary situations are confronted;
- ◆ Coordinate local collection development with available regional resources and needs; and
- ◆ Coordinate collection development policy with policy on discarding materials.

(Adapted from Guidelines for Collection Development, American Library Association, 1979)

As is shown above, an effective collection development plan is a planning tool that provides numerous benefits. For example, it provides additional assurance to management that individual collection decisions reflect and support the Library's mission. In addition, clearly defined short and long term objectives aid librarians in making collection decisions and in prioritizing resource allocations. Furthermore, consistent policies on which materials to discard provide assurance that non-circulating materials make way for newer and/or better materials and that materials are discarded according to an established policy. Finally, a collection development plan provides continuity when librarians move from one branch or unit to another. In these ways, the collection development planning process provides management with assurance that limited funds are being used fairly and systematically to meet competing collection needs.

The Library Has Not Developed A Formal Collection Development Plan

Our review found that the Library lacks a formal collection development plan and that its collection development process is somewhat informal. That is, the Library has not prepared specific goals or objectives for developing its collection. For example, while individual librarians are responsible for assessing and developing their own collections, they do so without preparing a clear statement of their collection objectives. Without formally stated collection objectives, Library management is limited in its ability to monitor progress towards specific collection development goals. In addition, Library management's ability to use its limited funds fairly and systematically to address competing collection needs is impaired.

The Library's collection development process relies on the professional expertise of individual librarians to respond to community needs and to decide the appropriateness of purchases. Each librarian in the system has authority to select and place orders for materials in their area of responsibility. Under this decentralized selection process, librarians placed orders for approximately 184,000 items in the twelve months ending February 1989. However, our review found that librarians are not regularly required to formally summarize the status of their collections, recent collection additions, or planned acquisitions. In addition, the Library lacks procedures for guiding staff in assessing collection needs, establishing specific collection goals and objectives, and reporting progress towards collection goals.

Existing Draft Collection Statements Should Be Completed And Expanded To Include Key Elements

There are several reasons why the Library has not developed a formal collection development plan. First, collection planning and assessment is a detailed and time-consuming process. In addition, competing demands on staff have hindered the Library's ability to develop, implement and monitor a formal collection development plan. Further, those librarians responsible for collection development activities have other line responsibilities which demand their immediate attention and take time away from planning activities. At one time, the Library had three additional management positions that did not have any line responsibilities. Instead, the staff in these positions were responsible for coordinating the Library's training, programming and collection development activities. However, the Library lost these positions during cutbacks nearly ten years ago.

In spite of these difficulties, the Library has attempted to formalize its collection development process. Specifically, it has drafted, but not implemented several collection development statements. These statements include a foreign language collection development policy, a draft collection policy for adult non-fiction at the Main Library, and a policy on discarding adult non-fiction materials.

Although these draft statements are the beginning of a formalized collection development process, our review noted that several key collection development elements were either missing or incomplete. For example, the Library's draft collection plan addresses specific collection goals for only adult non-fiction books at the Main Library. The draft plan does not address

fiction, young adult, and children's collections, or non-book collections such as videos, records and periodicals. Moreover, the draft plan does not address branch libraries or special collections such as the California Room or the Silicon Valley Information Center. Furthermore, while a foreign language collection policy has been drafted, it does not include specific goals for those collections.

Similarly, a specific draft plan for discarding materials has been prepared for adult non-fiction. However, specific plans have not been prepared for other Library collections.

The American Library Association recommends that a collection plan, once drafted, be updated regularly to ensure responsiveness to changing conditions. Accordingly, the Library's foreign language collection development statement specifies an annual review of five-year targets and annual acquisition plans. However our review found that the Library has not performed annual reviews or prepared annual acquisition plans. Moreover, while the Library's draft collection plan for adult non-fiction calls for periodic updates, it does not specify when those updates should be done or provide for five-year targets or annual acquisition plans. In our opinion, Library management should establish procedures for preparing a formal collection development plan and assign specific staff to carry out those procedures. In addition, Library management should verify that its staff has prepared annual collection objectives and updated long-range collection plans. By so doing, Library management will have a collection plan that is a working, flexible tool that librarians can use to select and discard collection materials.

Finally, the Library's draft collection plans do not assign priorities for the allocation of resources. Currently, Library officials use various informal criteria to allocate funds for different types of collection materials between the Main Library and branch libraries. The Library's stated criteria for adjusting book allocations include: circulation and reference statistics, population growth within a specific area, condition and age of the collections, programming, outreach and in-library use. While the Library's criteria seem to ensure a measure of fairness, the American Library Association recommends that priorities for the allocation of resources be formally addressed in the collection development plan. Since such a plan would also document the information used to assess collection priorities, it would provide additional assurance that the Library's limited funds are being used fairly and in a systematic way to address competing Library collection development needs.

CONCLUSION

The need for libraries to develop a formal collection development plan is well established in authoritative literature. However, our review revealed that the Library currently lacks formal guidelines for collection development. While the Library has compiled draft collection development plans, they are incomplete and have not been implemented. By developing a formal, annually updated, collection development plan that addresses specific collection goals and objectives by subject, type of material and branch, as well as discarding materials, acquisitions, and priorities for materials allocations, the Library will have added assurance that it is using its limited collection development funds fairly and systematically.

RECOMMENDATIONS

We recommend that the Library:

Recommendation #1:

Prepare a comprehensive collection development plan which can be used as a planning and monitoring tool. The plan should include:

- ◆ A community and user profile, with an evaluation of community needs for Main Library and branch library services, and assigned priorities for the allocation of resources;
- ◆ A detailed analysis of the existing collection by subject and type of material for all Main Library and branch collections, and collection goals by subject area;
- ◆ Criteria for discarding materials by subject area and type of material; and
- ◆ Procedures to review the policy at regular intervals. (Priority 3)

Recommendation #2:

Prepare annual collection management plans for each Library unit which summarize:

- ◆ accomplishments from the previous fiscal year;
- ◆ areas to receive special emphasis in acquisitions;
- ◆ areas needing maintenance including shelving, reorganization, and discarding;
- ◆ areas needing further assessment; and
- ◆ allocation of resources to accomplish these objectives. (Priority 3)

Recommendation #3:

Develop policies, procedures, and assign responsibility for implementing and periodically updating a comprehensive collection development plan, as well as annual collection management plans for each unit. (Priority 3)

FINDING II

THE LIBRARY NEEDS TO IMPROVE ITS VENDOR SELECTION PROCESS

The San Jose Municipal Code prescribes the purchasing system for all City Departments, Offices and Agencies. However, our review found that the Library's purchasing operation is not in accordance with the City's purchasing code. Specifically, we found that the Library has not been formally delegated the purchasing authority that it is currently exercising. Further, the Library does not follow prescribed City purchasing procedures. In addition, our review revealed that the Library needs to document its purchasing process to provide assurance that its purchasing activities are carried out fairly, consistently and in accordance with the City's purchasing codes.

The Library Has Not Been Formally Delegated Purchasing Authority

Chapter 4.12 of the San Jose Municipal Code (Code) establishes the City's purchasing system. Code Section 4.12.010 assigns purchasing authority to the Director of the Department of General Services. Specifically, the Code states:

“...the director of general services shall be responsible for the provision of supplies, materials and equipment for the city. In particular, but not by way of limitation, he shall have the following specific powers and duties:

- A. Take the necessary action to ensure that the city will receive the needed quality and quantity of supplies, materials and equipment at least expense to the city;
- B. Negotiate and recommend execution of contracts for the purchase of supplies, materials and equipment;
- C. Discourage uniform bidding and endeavor to obtain as full and open competition as possible on all purchases;

- D. Keep informed of current developments in the field of purchasing prices, market conditions and new products;
- E. Prepare and recommend to the city manager rules governing the purchase of supplies, materials and equipment for the city;
- F. Prescribe and maintain forms as are reasonably needed to implement this chapter;
- G. In those situations requiring the publication of notice inviting bids, the director of general services shall cause such notices to be published without first obtaining the consent of the city council thereto. Such notices shall include the time for submission of bids, the time for opening of bids, and such other information as is required by the provisions of this chapter or which is appropriate and necessary for the procurement of supplies, materials and equipment for the city;
- H. Execute contracts and purchase orders for supplies, materials or equipment when authorized by the city manager.”

Although the Code assigns all of the City’s purchasing responsibility to the Director of the Department of General Services, the Library acquires its own books and other materials. Specifically, the Library selects its own vendors, issues purchase orders, receives materials ordered, and processes invoices prior to payment by the Department of Finance. In addition, it has established its own policies and procedures for carrying out these activities. Furthermore, the Department of General Services plays a very limited role in the Library’s purchasing operations. Specifically, General Services involvement with the Library is limited to establishing the Library’s \$90,000 per year leased book contract and receiving Library notification of the primary book vendors that it uses each year.

According to authoritative literature, having the Library responsible for its own purchasing is consistent with recommended practices and the practice

in other cities. For example, Wheeler and Goldhorns' Practical Administration of Public Libraries, states the following:

“Centralized purchasing of municipal supplies that are standard and used by several agencies is undoubtedly desirable and economical and can be made to work efficiently, including their stockpiling. But library books involve a continual stream of individual items, each different, each of comparatively small cost, with probable changes in the status of each book--not yet published, out of print, out of stock, will be available again in a month or two, and so on. Buying library books, with all their individual peculiarities, special discounts, and billings, through a City purchasing office wastes time in useless paperwork and delays service. Library books and related materials should be exempted from the general pattern of centralized purchasing. In fact, they should be excluded by ordinance from purchasing department procedures and rules.”

Although it appears reasonable for the Library to procure its own materials, the Code does not give the Library specific authority to do so. Moreover, neither the City Manager nor the Director of the Department of General Services formally delegated purchasing responsibility to the Library. As a result, the Library's purchasing activities are not in compliance with the Code.

Prescribed City Purchasing Practices

The Code authorizes the execution of purchase orders or contracts, establishes bidding requirements, and sets procedures for purchasing supplies, materials, equipment and general services with and without formal bidding. The Code provides three main options for procuring supplies, materials, equipment, and general services. The options include:

- ◆ Formal bidding;
- ◆ Open market; and
- ◆ Open purchase orders.

Formal Bidding

Sections 4.12.040 through 4.12.120 of the Code, include several formal bidding procedures to ensure that the City receives the needed quality and quantity of materials at the least possible cost. These procedures include: 1) the transmission of notices inviting bids to prospective vendors, 2) publication of the notice inviting bids no less than 10 days before the bid opening, 3) bidders' security, when applicable, 4) performance bonds for contracts, 5) sealed bid opening, 6) bid evaluation, and 7) report with recommendation for award to Council.¹

The Code requires formal bidding for all purchases in excess of \$20,000, unless one of the following exceptions apply:

- ◆ The purchase or acquisition is made from, or through an agreement with any public governmental body or public utility;
- ◆ The purchase of supplies, materials, or equipment can only be obtained from one vendor or manufacturer;
- ◆ The purchase of any supplies, materials, or equipment deemed by the council to be of urgent need for the preservation of life, health or property; and
- ◆ The purchase of supplies, materials, or equipment where solicitations of bids would be an "idle act". An "idle act" means that formal bids would not be useful or produce any advantage for the City.

¹ The Council must award all contracts and purchase orders in excess of \$20,000.

Open Market

The Code also provides for the purchase of supplies, materials, and equipment which are not governed by the formal bidding process. Specifically, for purchases less than \$20,000, or purchases for which the above exceptions apply, the Code allows the use of open market purchasing. The Code also specifies the procedures for using open market purchases. For example, the Code requires, whenever practical, that purchases in excess of \$1,000 be based on at least three price quotations and that the purchase be awarded on the basis of the price quotation most advantageous to the City. The Code allows the price quotations to be solicited by mail or phone. However, regardless of the means used to solicit price quotations, a record of the purchases and price quotations must be maintained.

In determining the most advantageous price quotation, the Code allows the following factors to be considered:

- ◆ quality;
- ◆ ability of the vendor to perform;
- ◆ ability of the vendor to meet required timeframes;
- ◆ past vendor performance; and
- ◆ ability of the vendor to provide future maintenance, repair and service.

If the purchase award is made to a vendor other than the one submitting the lowest price quotation, written reasons for the award decision must be prepared and kept as part of the record of the transaction.

Open Purchase Orders

The Code also provides for the use of open purchase orders. Open purchase orders were established in order to obtain cost effective purchasing arrangements. Open purchase orders are utilized to purchase supplies, materials, equipment or general services when the amount or nature of specific items or services cannot be predicted before they are needed; or when it is necessary that the place from which items are purchased be strategically located.

Open purchase orders are established for the full estimated annual amount to be expended with the vendor. Because open purchase orders are basically a line of credit, the total open purchase amount established does not have to be used. An open purchase order is valid for a period of up to, but not to exceed, twelve calendar months.

The Code prohibits the use of an open purchase order for any single purchase that exceeds \$20,000. Furthermore, the Code specifies that the City Council must approve any open purchase order in excess of \$20,000. However, the Code does not require a formal bid process to select vendors for open purchase orders.

Noncompliance With City Code Requirements

Contrary to City Code requirements, the Library has established its own formal and informal policies and procedures for acquiring books and other library materials. For example, the Library buys the bulk of its book purchases from several major book wholesale companies called “jobbers”.

The Library only buys directly from publishing companies when it is the only means to buy needed materials. According to authoritative literature, other public libraries also buy from jobbers because it provides several advantages over buying directly from the book publishers. For example, jobbers buy large quantities from publishing companies. Because of their large volume purchases, jobbers are able to offer libraries better discounts than if the libraries bought smaller quantities directly from the publishing companies. The amount of discount which jobbers offer to the Library depends on the amount of business the Library gives the jobber. The more business the Library can promise, the greater the discount the jobber can pass along to the Library. For example, the Library's largest vendor discounts most trade books 42.5 percent off the retail price. In exchange, the Library gives the jobber an annual business of approximately \$600,000. In addition, buying from one or two large jobbers is more convenient and reduces paperwork.

To select its primary book vendors, the Library does not use the City's three main procurement options -- the formal bid, open market or open purchase orders. Instead, the Library negotiates informal agreements with its largest vendors. These agreements cover the price discount and the service terms. The Library normally negotiates the terms with vendors that it has used in the past and that have provided good service at a good price. It does not use an open competitive bid process to award business to these vendors. Once these agreements are established, the Library purchases books from these vendors throughout the year. In some cases, the Library continues buying from certain vendors year after year without going out for competitive bids or renegotiating new agreement terms. According to Library officials, its

purchasing process allows it to acquire books and other library materials from reliable vendors, at a good price, with a minimum of paperwork.

Although the Library's purchasing process appears efficient, it has several problems. First, the Library needs to establish controls to ensure that the process is open and competitive. For example, the Library lacks specific written policies stating when and how often competitive bidding should be used. The Library continues to use the same vendors without opening the process to competitive bidding. For example, in 1988-89, the Library awarded approximately \$600,000 worth of business to its primary book vendor without using any of the City's specified bid procedures. Instead, a single member of the Library's staff negotiated price discounts and service terms with the same vendor that the Library had used for several years. In addition, the Library has also used some vendors for many years without requiring competitive bids or even renegotiating new terms. For example, the Library awarded approximately \$90,000 worth of its paperback book and local purchase business to one local vendor. While this vendor appears to give the Library a good price discount and is convenient to use, we could not find any evidence to indicate that the Library has opened these purchases up for competitive bidding or has renegotiated purchasing terms with this vendor for several years.

Another problem with the Library's purchasing process is that it does not comply with the City's purchasing requirements. For example, our review identified specific instances in which the Library's purchasing process differs from the Code requirements. For example, in 1988-89, the Library purchased approximately \$115,000 worth of magazine subscriptions from a single

magazine wholesaler without using the Code required formal bid process. Instead, the Library purchased these magazines after negotiating price discounts and service terms with the chosen vendor. In addition, the Library awarded \$36,600 worth of standing orders² without using the formal bid process or any other means to test the market. We noted that for standing orders, the Library normally uses the same vendor each year.

In addition, we identified instances in which the Library did not use the City's open market purchasing process when it should have. As was noted above, the Code requires, whenever practical, that purchases in excess of \$1,000 be based on at least three bids. However, our review found that the Library does not routinely obtain three bids for purchases in excess of \$1,000. For example, the Library frequently uses its local purchase process to acquire books and other library materials. Occasionally, these purchases exceed \$1,000. For example, the Library purchased over \$3,800 worth of materials on one shopping trip and \$2,500 on another trip without obtaining three bids. We noted that the Library frequently uses the same local purchase vendors without obtaining bids or renegotiating prices and/or terms.

The Library also does not use the City's open purchase order process to acquire books and other materials despite the fact that the open purchase order process could be a convenient non-disruptive way to meet the Library's purchasing needs. For example, each year the Library could establish an open purchase order with each of its major vendors for the estimated value of annual purchases. The Library could then make purchases via the open purchase order throughout the year. The Library could also establish open

² Standing orders are book titles that are reordered annually such as travel books and almanacs.

purchase orders with vendors that are near branch libraries. Such an arrangement would allow the branch librarians to use these vendors for their local purchases. Another advantage of the open purchase order process is that the Library would not have to use the formal bid process; it could use the open market process to select its vendors. The Library would have to do some additional work in establishing open purchase orders with vendors; however, once established, the Library would be able to make purchases much like it does currently.

Another problem with the Library's purchasing process is that its large purchases do not receive City Council scrutiny. As cited above, the Code requires the City Council to approve all purchases and open purchase orders in excess of \$20,000. This control is intended to ensure that the City Council is informed of all significant transactions affecting the City. In addition, the control provides additional assurance that the City's purchasing requirements are followed. However, our review found that the Department of General Services submitted only one of the Library's purchases for City Council approval. This purchase was for the Library's \$90,000 per year leased book contract. As a result, none of the Library's remaining \$1.4 million in materials acquisitions were submitted to the City Council for review and approval. Establishing open purchase orders for major book acquisitions would correct this situation and allow for General Services and City Council review and approval.

Our review revealed that the Library's purchasing operations are not in accordance with the City's purchasing requirements. Specifically, the Code does not grant the Library any specific purchasing authority. In addition, the

Library's purchasing policies and procedures are not in accordance with the Code. Accordingly, we recommend that officials from the Library meet with the City Attorney's Office, the Department of General Services and the City Manager's Office representatives, to discuss how the Library's purchasing process can be brought into compliance with the Code. As was noted above, it is a common practice for municipalities to make libraries responsible for their own purchasing. Therefore, representatives from the above offices and departments should consider formally assigning purchasing authority to the Library, either through an amendment to the Code or through a formal delegation by the Director of the Department of General Services. In addition, these representatives should consider what policies and procedures the Library should follow to comply with the City's purchasing process. Consideration should be given to making greater use of open purchase orders in the interest of Library purchasing operations efficiency and Code compliance.

These representatives should also consider how often the Library should subject major purchases to the competitive bidding process. The Code requires that this be done at least annually; however, authoritative literature on library procurement suggests that every two to three years is sufficient. Finally, these representatives should consider if the Code should apply to the Library's purchasing operations and recommend specific Library exemptions if that appears appropriate.

The Library Needs To Document Its Vendor Selection Process

Public purchasing and contracting demands a variety of safeguards. According to the Council of State Governments' State and Local Government Purchasing, Third Edition,

"...safeguards for the integrity of the purchasing process begin with a suitable procurement statute or ordinance supplemented by written procurement procedures, adequate records on each purchase, and public access to these records. Wrongdoing in the expenditure of public funds is more likely in an atmosphere of secrecy, where awards are made in some vaguely defined manner without sufficient substantiation."

The book further states that:

"Records of a transaction should document or reference each step of the process involved in establishing the specification, soliciting prospective bidders, the bidders' responses, what the bidders' responses were, who received the award, what the contract terms were, and whether the contract was performed satisfactorily. The record should show the basis for any deviation from the normal process, such as making an emergency purchase or finding a low bidder non-responsible. Except for unopened bids, trade secrets, and bids on which awards are pending, purchasing records should be available for public inspection upon request."

As is demonstrated above, documentation is a key safeguard or control in the purchasing process. However, our review found that the Library's purchasing process is not well documented. For example, the Library lacks written policies and procedures that define the selection and awarding process for large purchases. In addition, the Library does not maintain adequate records to evidence its reasons for awarding business to certain vendors. According to a Library official, the Library contacts other public libraries to ensure that the Library is getting a good discount from their primary vendor and contacts other vendors to determine if it can get a better deal. However, the Library does not maintain a written record of its discussions with other libraries and vendors for the purpose of justifying the vendor selected.

In addition, the Library lacks written criteria for awarding individual book purchases to certain vendors. For example, the Library frequently orders materials off of book reviews. In doing so, the Senior Acquisitions Librarian assigns a vendor for each book to be purchased. However, the Library lacks written guidelines for assigning these purchases to vendors. According to the Senior Acquisitions Librarian, the Library considers several factors in awarding these types of purchases. For example, it assigns most of the business to its primary vendor. However, the Library also awards much of its paperback book business to one local vendor. Allegedly, this vendor provides a good discount on paperback books. In addition, the Library awards business to another vendor because it can provide certain materials faster and cheaper than other vendors. While factors such as discounts or speed of delivery are important, the Library lacks written criteria that define when these factors enter into purchasing decisions.

Without written criteria, the Library is exposed to an even greater risk that preference could be given to one vendor over another. This risk is heightened by the fact that the person making these individual award decisions plays a major role in most of the Library's acquisition activities. Specifically, this person supervises all the Acquisition Unit staff and is also responsible for negotiating agreements and maintaining contact with vendors. Thus, this person can greatly influence the amount of business given to individual vendors. Such a situation demands strong controls to ensure that the City's interests are protected.

Finally, the Library lacks written agreements or contracts with its vendors. A written agreement is necessary to clearly spell out the City's and

vendor's rights and responsibilities under the purchase contract. Such an agreement is necessary to ensure that no misunderstandings exist between the Library and the vendor as to the service terms and price discounts. A written agreement also protects the Library in the event that the vendor fails to meet the terms of the written agreement. However, our review found that the Library does not require and lacks written agreements with many of its vendors.

In our opinion, the Library needs to develop a procurement policies and procedures manual to provide guidance and information to staff. In addition, this manual should provide additional assurance that the Library's acquisition activities are carried out fairly, consistently, and in accordance with the City's purchasing requirements. At a minimum, this manual should include the following:

- ◆ Description of the City's applicable purchasing regulations;
- ◆ Public purchasing principles and goals of the program;
- ◆ Responsibilities of each of the staff involved in the purchasing process;
- ◆ Record retention policies;
- ◆ Methods used to attract and notify vendors;
- ◆ Criteria for using competitive bidding;
- ◆ Criteria for using sole source contracts;
- ◆ Procurement methods to be followed;
- ◆ Procedures for evaluating vendors;

- ◆ Procedures for properly documenting vendor selection decisions;
- ◆ Procedures for requiring written agreements between the Library and vendors;
- ◆ Procedures for awarding purchases; and
- ◆ Procedures for documenting and evaluating vendor performance.

CONCLUSION

Our review found that the Library's purchasing operation is not in accordance with Code requirements. Specifically, the Library has not been formally delegated the purchasing authority it currently exercises. Moreover, the Library does not follow the City's prescribed purchasing requirements. In addition, the Library needs to document its purchasing operations to provide assurance that its purchasing activities are carried out fairly, consistently and in accordance with the City's purchasing requirements.

RECOMMENDATIONS

We recommend that the Library:

Recommendation #4:

Meet with representatives from the City Attorney's Office, the Department of General Services and the City Manager's Office to discuss how the Library's purchasing process can be brought into compliance with the City's purchasing requirements with a minimum of disruption to Library operations. This group should consider formal delegated purchasing authority, policies and procedures, the need for and frequency of competitive bidding, and the applicability of the City's purchasing requirements to the Library's purchasing process. (Priority 1)

Recommendation #5:

Use the City's open purchase order process, when appropriate, to procure books and other library materials. (Priority 1)

Recommendation #6:

Develop and implement a procurement policies and procedures manual. This manual should include, but not be limited to the following:

- ◆ Description of the City's applicable purchasing regulations;
- ◆ Public purchasing principles and goals of the program;
- ◆ Responsibilities of each of the staff involved in the purchasing process;
- ◆ Record retention policies;

- ◆ Methods used to attract and notify vendors;
- ◆ Criteria for using competitive bidding;
- ◆ Criteria for using sole source contracts;
- ◆ Procurement methods to be followed;
- ◆ Procedures for evaluating vendors;
- ◆ Procedures for properly documenting vendor selection decisions;
- ◆ Procedures for requiring written agreements between the Library and vendors;
- ◆ Procedures for awarding purchases; and
- ◆ Procedures for documenting and evaluating vendor performance.
(Priority 1)

FINDING III

THE LIBRARY CAN IMPROVE ITS MATERIALS ORDERING PROCESS

The Library's materials ordering process is decentralized to allow librarians to choose those materials best suited for their patrons. Accordingly, adequate controls over the ordering process are needed to ensure that only authorized persons are ordering library materials. However, our review revealed that the Library needs to improve its controls over the materials ordering process. In addition, we found that the Library can improve the efficiency of its ordering process by:

- ◆ increasing the use of order lists;
- ◆ establishing minimum order quantities;
- ◆ delaying the submission of some purchase orders;
- ◆ using on-line order lists; and
- ◆ establishing an order consolidation objective in its Work Management System.

Implementing the above measures should significantly reduce the Technical Services Section's workload and improve the overall efficiency of the materials ordering process.

The Library Needs To Tighten Its Controls Over The Authorization And Acceptance Of Orders

The Library's materials selection process is decentralized to allow maximum flexibility for librarians to choose the materials best suited to their branch and patrons. As a result, individual librarians are responsible for selecting the materials for their branch or unit. To select materials, librarians

prepare requisition forms or order sheets that identify the materials to be purchased. Librarians forward these requisition forms or order sheets to the Order Unit in the Technical Services Section for processing. Order Unit staff extract order information from the requisition forms or order sheets, prepare purchase orders and place those orders with vendors. Because the initial selection process is decentralized, the Library needs adequate controls to ensure that only authorized staff are ordering materials.

The Library has a policy clearly stating that only librarians are authorized to order materials. In addition, the Library has informal procedures that require all librarians to initial their requisitions and that librarians submitting requisitions from the Main Library stamp them with their unit's authorizing stamp. While these procedures are designed to provide assurance that only authorized personnel are ordering materials, we found that they are not always followed. Specifically, we noted that librarians frequently do not initial or stamp their requisitions. In addition, we noted that the Order Unit does not routinely review requisitions and order lists to ensure that authorized staff have initialed them.

As a result, the Library is exposed to the risk that persons not authorized to do so are placing orders for materials. This exposure is heightened by the fact that we noted during our review that materials are routinely ordered based on unsigned material requisitions. Specifically, from our sample of 99 material requisition forms, we found that 75 percent were not properly initialed and that of the Main Library requisitions, 32 percent were not stamped. In our opinion, the Library can improve its controls over the materials requisition process by:

- ◆ requiring librarians to initial orders;
- ◆ requiring the Order Unit staff to review all orders for authorization;
- ◆ preparing and distributing written documentation of these procedures for ordering materials; and
- ◆ preparing and maintaining a current list of those persons authorized to order materials.

Consolidating Purchase Orders Can Significantly Reduce The Workload Of The Technical Services Section

The Library typically generates a high volume of purchase orders. For example, the Library issued over 55,000 purchase orders for books and materials in 1988. Each of these purchase orders represents a separate order for one or more copies of a title.³ The Library's INNOVACQ computer generates a separate purchase order each time another title is ordered.

All of the Library's more than 100 Main Library, branch, and bookmobile librarians are authorized to submit orders for materials. Many of these librarians use the same review sources, such as trade publications and publishers' lists, when selecting which titles to order. With so many librarians using the same review sources to order materials, the Library is exposed to the risk of issuing multiple purchase orders for the same title.

Such a practice is inefficient because it creates additional work for the Library's Technical Services Section. For example, for each purchase order issued for a particular title, Technical Services must place the order and

³ A Title is a particular book, periodical or other material.

subsequently receive and catalog the title when it is delivered. Conversely, if librarian requested requisitions of the same title were consolidated onto one purchase order, then Technical Services would have to perform these functions only once. Therefore, it is much more efficient for the Library to purchase 10 copies of the same title on one purchase order than to purchase the same title on 10 separate orders.

It should be noted that the Library has established several procedures to consolidate orders for the same title. For example, the Library compiles and orders periodicals, encyclopedias and some other publications at specified times each year. The Library also compiles orders for materials reviewed in industry publications such as *Publisher's Weekly* and *Booklist*. In addition, the Library has established an "Order Table" where the Acquisitions Unit places requisition forms for a minimum of two weeks. The Order Table provides librarians an opportunity to review the selections that other librarians have made, and to add copies for their branch to the order.

However, our review found that, in spite of its efforts to do so, the Library has had limited success in consolidating orders of the same titles. Specifically, we found that over a twelve-month period, the average number of copies per title per purchase order was only 1.82. In other words, with 18 Main and branch libraries and a bookmobile, less than two copies of the same title were ordered on the same purchase order. Furthermore, in a statistical sample of Library purchase orders over a seven month period, we found that 53 percent of the purchase orders were for a single copy of a book and that 62 percent of the purchase orders were from only one branch location.

Further, we found that the Library frequently reorders the same titles. Specifically, 32 percent of the titles we reviewed were ordered more than once during the same fiscal year. Based on our sample results, we estimate that Technical Services could have reduced the number of purchase orders it issued during 1988 by as much as 19,000 if all orders for the same title had been consolidated onto the same purchase order.

It should be noted that some multiple orders for the same title may have resulted from unforeseen patron demand or replacement of materials which were lost or damaged. However, we identified several instances where multiple orders for the same title were placed within a week or two of each other. In our opinion, some of these multiple orders could have been consolidated without impairing patron service. In fact, consolidating orders for the same title onto one purchase order could actually result in materials being available to patrons sooner. This improved availability could result from the reduced Technical Services workload that an aggressive order consolidation effort could generate. In other words, reducing the number of orders Technical Services must place, receive and catalog could reduce the time it takes to process all materials to a patron ready state.

Opportunities Exist For The Library To Increase Its Rate Of Order Consolidation

Our review identified several opportunities for the Library to consolidate more requests for the same title onto one purchase order. These opportunities are:

- ◆ increasing the use of order lists;
- ◆ establishing minimum order quantities;
- ◆ delaying the submission of some purchase orders;
- ◆ creating an on-line ordering system; and
- ◆ establishing an order consolidation objective in its Work Management System.

Based upon our review, it appears that increasing the use of order lists is one way to increase the number of consolidated orders. For example, we noted that the Children's Services Unit at the Main Library annually prepares an order list of children's replacement materials and distributes it to the branch libraries. Librarians at the branches select materials from this order list. The Technical Service Unit then consolidates the librarian selected titles onto vendor orders. Order Lists like this one can be an effective means to consolidate orders for the same title. For example, we noted one case where the use of an order list resulted in purchase orders averaging almost seven copies per title ordered, a significant improvement over the 1.82 copies per title ordered that the Library averaged over a twelve-month period. In our opinion, the Library should use the expertise of its other collection development teams (including "Science and Technology", "Fiction" and "Art, Music and History") to prepare additional order lists according to an established schedule. By so doing, the Library should be able to improve the efficiency of its ordering process by increasing the number of copies per title

ordered. According to the City Librarian, the Library made greater use of order lists when it had three management level positions that were responsible for coordinating library services. In addition, our review found that other libraries use similar order lists. The City of Sacramento's Library Department, for example, uses subject selection committees to prepare semiannual order lists.

The Library should also consider establishing minimum order quantities or delaying the submission of purchase orders to increase its rate of order consolidation. For example, our review of purchase orders revealed instances where different branches placed orders for the same title within weeks or days of each other. Moreover, in some cases the Library ordered single copies of books costing less than five dollars. This is a highly inefficient practice given that it costs about the same to process and receive a purchase order for ten books as it does for one book. To remedy this situation, we believe the Library should consider establishing minimum order quantities or delaying the submission of certain requisitions to see if other librarians place orders for the same title.

The Library should also explore the feasibility of using on-line order lists. As was noted earlier, librarians use the Order Table to see what other librarians are ordering. However, because of time constraints or inconvenience, librarians are sometimes unable to get to the Order Table which is located at the Main Library. The use of on-line order lists would be an efficient and effective alternative to the Order Table. In fact, the Library's new circulation system has an electronic mail feature that could be used to create on-line order lists. In our opinion, the Library should explore the

feasibility of using its electronic mail feature for this purpose. This would allow librarians to consolidate their requests for the same title without the inconvenience of traveling to the Main Library.

Given the need to increase the number of consolidated purchase orders, the Library needs to develop and implement a system for evaluating its progress toward improving its rate of order consolidation. Currently, the Library does not have any goals or plans to consolidate purchase orders. In addition, the Library does not report on its rate of purchase order consolidations to either its own management or to the City administration through the Work Management System. In our opinion, the Library should establish an order consolidation objective in the Work Management System and prepare a work plan to reach that objective.

CONCLUSION

Our review found that the Library can improve its controls over and the efficiency of its materials ordering process. Specifically, the Library needs to improve its controls over the authorization of material requisitions. Further, the Library issues multiple purchase orders for many of the same titles. Accordingly, by implementing four order consolidation measures, the Library should be able to significantly reduce the workload of the Technical Services Section and improve the efficiency of its materials ordering process.

RECOMMENDATIONS

We recommend that the Library:

Recommendation #7:

Ensure proper authorization of orders by:

- ◆ Requiring selectors to properly authorize requests for materials by initialling all submittals including material requisition forms and order sheets;
- ◆ Requiring Order Unit staff to review all orders and verify initials against a current list of authorized personnel; and
- ◆ Preparing and distributing written documentation of these procedures. (Priority 3)

Recommendation #8:

Prepare a work plan for improving the rate of order consolidation. The plan should include consideration of the following:

- ◆ Increasing the use of internally generated order lists by assigning collection development teams to periodically prepare order lists of materials in their area of expertise;
- ◆ Establishing minimum order quantities;
- ◆ Delaying the submission of certain purchase orders; and
- ◆ Creating on-line order lists that would be accessible to librarians throughout the library system. (Priority 3)

Recommendation #9:

Establish an objective in the Work Management System to track improvement in the rate of order consolidation. (Priority 3)

FINDING IV

THE LIBRARY NEEDS TO IMPROVE CONTROLS OVER ITS PURCHASE ORDERS

Because purchase orders constitute binding contracts between the Library and vendors, it is necessary that the Library have controls in place to ensure that purchase orders are not lost or misused. However, our review revealed that the Library needs to improve its accounting for purchase orders. In addition, the Library needs to ensure that expired purchase orders are cancelled and that affected funds are unencumbered. Further, the Library needs to improve its system for storing and retrieving the source documentation for its purchase orders. Finally, the Library needs to improve the access librarians have to purchase order information in the Library's computerized ordering system. By improving its controls over purchase orders, the Library will be able to 1) account for all purchase orders issued, 2) use its acquisition funds more effectively, 3) have added assurance that all of its purchases are for a valid purpose, and 4) determine the status of outstanding purchase orders more efficiently.

The Library Needs To Improve Its Accounting For Purchase Order Numbers Issued By INNOVACQ

To place an order with a vendor, the Library's Order Unit enters purchase information into INNOVACQ, the Library's computerized ordering and accounting system. INNOVACQ assigns a sequential purchase order number for each title ordered and prints a purchase order. The Order Unit mails the printed purchase order directly to the vendor to place the order. Once a vendor accepts a purchase order, it becomes a binding contract.

Therefore, the Library needs controls over purchase orders to ensure that they are not lost or used for unauthorized purposes.

The Library's INNOVACQ system provides some controls to prevent the misuse of purchase orders. For example, INNOVACQ issues sequential purchase order numbers and maintains a complete on-line file of purchase orders which shows their current status. In addition, INNOVACQ generates statistical reports on the number of purchase orders issued, filled, cancelled and outstanding.

However, our review found that the Library does not regularly reconcile the INNOVACQ purchase order information to all the purchase order numbers issued. In addition, neither the INNOVACQ system nor the Library account for those voided purchase order records which have been deleted from the system. Further, the Library lacks a written procedure for authorizing purchase orders to be voided and deleted from the INNOVACQ system. As a result, the Library cannot account for all of the purchase orders it issues.

In 1988, INNOVACQ issued 55,093 purchase orders according to its sequential numbering system. However, according to the INNOVACQ Vendor Performance Statistics Report, only 53,701 purchase orders were accounted for in 1988 -- a difference of 1,392 purchase orders. According to a Library official, this difference was due to 1,012 orders for periodicals, 135 re-orders from one year to the next, and an estimated 245 voided purchase orders. While the Library did provide an explanation for the missing 1,392 purchase orders, it is still noteworthy that the Library does not periodically reconcile its INNOVACQ records and does not maintain a log of voided

orders. As a result, the Library lacks the procedures and documentation to adequately account for its purchase orders on an ongoing basis. In our opinion, the Library should 1) develop written procedures for deleting purchase orders from the INNOVACQ system, 2) maintain a log of deleted purchase orders, and 3) reconcile INNOVACQ purchase order information on a monthly basis. These measures should improve the Library's control over its purchase orders.

The Library Needs To Improve Procedures For Canceling Expired Purchase Orders

When a Library unit places an order, INNOVACQ encumbers funds in that unit's budget. In those instances when vendors are unable to supply ordered materials, language on the back of the Library's purchase orders instructs vendors to "cancel any title not available within seven months". The Library has an informal procedure to cancel each month those purchase orders that vendors could not service within seven months. This cancellation procedure results in a unit's encumbered funds being unencumbered and ensures that the Library will not accept or pay for orders that were cancelled. However, our review revealed that the Library's informal cancellation procedure is not always followed.

When we reviewed the Library's INNOVACQ system, we observed that the Library had not cancelled over 400 purchase orders which had been outstanding from seven to ten months. These purchase orders represent a non-compliance with the Library's informal procedure to cancel purchase orders older than seven months. In addition, these purchase orders caused unit funds to be unnecessarily encumbered. As a result, the units affected were

precluded from using these encumbered funds to purchase other materials during that year. Further, because these funds remained encumbered past the fiscal year end, they could not be released to be spent elsewhere. According to Library officials, these 400 purchase orders were not cancelled because of unusual staff changes and normal year-end heavy workloads.

In our opinion, the Library should implement additional controls to ensure that purchase orders are properly cancelled. Specifically, the Library should develop and implement written cancellation procedures. In addition, the Library should establish a formal reporting mechanism which would alert management when purchase orders are not properly cancelled. We believe that such a reporting procedure would also remind staff of their purchase order cancellation responsibility. Based upon our review, it appears that the Library could easily incorporate a purchase order cancellation report into its “Acquisitions Monthly Services Report.”

The Library Needs To Improve Its System For Retrieving Source Documentation For Purchase Orders

Librarians place orders for materials by filling out source documents called Material Requisition Forms (MR's) or Order Lists. Operators in the Order Unit take a stack of these source documents and key the information on the forms into the INNOVACQ system to create a purchase order. After keying the information, the operator batches the MR's and indicates a general range of purchase order numbers on the outside of the bundle. Staff also indicate a range of purchase order numbers on Order Lists when keying is completed. The Operator cannot assign an exclusive range of purchase order numbers to the MR bundles or Order Lists because several operators can be

simultaneously creating purchase orders and the INNOVACQ system issues sequentially numbered purchase orders based on time of input, not operator. As a result, while an operator may only key 200 MR's into INNOVACQ in one day, the number of INNOVACQ created purchase order numbers that day could be 1,000. In that case, after the operator batches the 200 MR's he or she keyed into INNOVACQ that day, the range of purchase order numbers on the outside of the batch could be as much as 1,000. By way of illustration, such a range of purchase order numbers on the outside of a batch of 200 MR's could look like order numbers 100000X to 100999X.

The Order Unit keeps batches of MR's and Order Lists on file for seven months. We observed that staff occasionally need to retrieve source documents to obtain information on a purchase order. We also observed that staff sometimes have difficulty locating source documents. City Auditor staff experienced the same difficulties in locating source documents. For example, when we attempted to locate source documents for 220 randomly selected purchase orders, we were able to do so for only 99 purchase orders.

As a result, Library staff are spending more time than necessary retrieving source documentation for purchase orders. In addition, the current system weakens controls designed to ensure that all transactions are valid. In our opinion, the Library could improve the efficiency of its source documentation retrieval system by centralizing its file of MR's and Order Lists and arranging those files by date. The Library may also want to consider keying a designation code for MR's and Order Lists onto the purchase order.

An Opportunity Exists For Librarians To Track Purchases In A More Efficient Manner

The Library's book selection process is decentralized. All librarians have acquisition responsibilities and place numerous orders for materials throughout the year. Librarians have independently established various methods to track their purchase orders to ensure that they receive the proper materials and that they do not submit duplicate purchase orders. These methods include manual and automated filing systems. In addition, librarians telephone the Order Unit and ask about the status of their purchase orders. It is inefficient for librarians to maintain their own purchase order tracking systems and to call the Order Unit to determine the status of their purchase orders. Librarians and Order Unit staff can better spend their time on their normal duties.

The Library's INNOVACQ system has the capability to track purchase orders in an efficient manner. Specifically, INNOVACQ is designed to provide an on-line purchase order tracking function. INNOVACQ allows librarians to have on-line access to the system's purchase order file and provides various search capabilities for operators to query the status of purchase orders. Available information includes an on-line copy of the purchase order which shows the author and publisher of the title ordered as well as the fund code, vendor, date issued and order status. The Order Unit already has INNOVACQ terminals that provide an efficient means to access the purchase order information in the system. In addition, INNOVACQ's data retrieval capability can be extended to all of the Library's branches through the new CLSI circulation system terminals. Accessibility to purchase order information on a read-only basis will give branch librarians the ability to efficiently determine the status of their purchase orders and eliminate the need for librarians to devise their own purchase order tracking systems. In our

opinion, the Library should pursue the option of allowing librarians to use CLSI circulation system terminals to access computerized purchase order information in INNOVACQ to track purchase orders.

CONCLUSION

Our review found that the Library needs to improve controls over its purchase orders. Specifically, the Library needs to improve its accounting of purchase orders. In addition, the Library needs to improve its procedures for canceling expired purchase orders. Further, the Library needs to improve its system for retrieving source documentation for purchase orders. Finally, the Library should pursue opportunities to allow librarians to use CLSI terminals to track purchase orders in INNOVACQ. These improvements will improve purchase order accountability and improve operating efficiencies.

RECOMMENDATIONS

We recommend that the Library:

Recommendation #10:

Improve controls over purchase orders by:

- ◆ Developing written criteria and procedures for deleting voided purchase orders from INNOVACQ;⁴
- ◆ Maintaining a log of purchase order numbers deleted from INNOVACQ; and
- ◆ Performing monthly reconciliations of INNOVACQ information regarding the number of purchase orders issued, filled, deleted, cancelled and outstanding. (Priority 3)

Recommendation #11:

Develop and implement a written procedure for canceling expired purchase orders. (Priority 3)

Recommendation #12:

Include information on the number of purchase orders which expired and were cancelled during the month on the “Acquisitions Monthly Services Report”. (Priority 3)

⁴ INNOVACQ is the Library’s acquisitions and serials control computer system.

Recommendation #13:

Develop a system that provides for more efficient retrieval of source documents for purchase orders. (Priority 3)

Recommendation #14:

Pursue available opportunities to allow librarians to use CLSI circulation system terminals to access computerized purchase order information in INNOVACQ. (Priority 3)

FINDING V

THE LIBRARY NEEDS TO STRENGTHEN ITS CONTROLS OVER THE LOCAL PURCHASE PROCESS

In 1988-89, the Library used its local purchase process to buy an estimated \$246,723 worth of books and other media materials. Our review revealed that the Library needs to strengthen its controls over this important means of acquisition. Specifically, we identified that:

- ◆ The Library lacks a written policy that defines when the local purchase process should be used;
- ◆ Library staff do not fully comply with the Library's authorization procedures for local purchases;
- ◆ Librarians exceeded their authorized spending limits on 26 percent of local purchases;
- ◆ The Library lacks sufficient control over the receipt of local purchase materials; and
- ◆ The Library does not verify that vendors discount local purchases as agreed.

By improving controls over the local purchase process, Library management would have added assurance that its policies and procedures are followed and that the Library receives the materials and price discounts to which it is entitled.

Growth In Local Purchases Increases The Need For Stronger Internal Controls

Local purchase means that a librarian is authorized to travel to a nearby area store or warehouse and buy specific types of material from the vendor's stock on hand. Because the number and dollar value of local purchases have increased substantially in the past year, the Library needs to strengthen its internal controls over this significant use of funds. For example, from 1987-88 to 1988-89, the number of approved requests to make local purchases grew from 266 to 339 -- a 27 percent increase. At the same time, the dollars authorized to be spent for local purchases jumped 55 percent from 1987-88, to \$246,723 in 1988-89. As a result, in 1988-89 local purchases were 17 percent of the dollars budgeted for acquisitions and Library staff were requesting about 1.4 local purchase buying trips per working day.

The growth in local purchases has been partly due to an increased demand for branches to replace and increase paperback collections. However, the primary reason for growth in local purchases has been the increased buying of foreign language materials. For example, foreign language materials grew from 27 percent of authorized local purchase spending in 1986-87 to 59 percent in 1988-89.

The Library Needs A Written Policy That Defines When The Local Purchase Process Should Be Used

A well defined policy should promote the most efficient, economical and effective use of a process. However, with regard to local purchases, the Library's written procedures only describe how to get authorization to make a local purchase. These written procedures do not provide any guidance on the

proper uses of local purchases. In other words, the Library's written procedures do not define when the local purchase process should be used or why. As a result, librarians use their own discretion to decide when the local purchase process is appropriate. In our opinion, the Library should prepare a written policy, as part of its acquisitions procedures, to define when local purchases are best used in preference to other means of materials acquisition.

The Library Does Not Fully Comply With Its Authorization Procedures For Local Purchases

According to the Library's written procedures, a librarian must submit a memorandum to request approval for a local purchase at least two weeks in advance of the proposed buying trip date. During this two week period, the Library determines if 1) adequate funds are available for the purchase, 2) the materials proposed to be purchased meet collection needs, 3) the proposed vendor can meet purchase requirements, and 4) the proposed trip can be consolidated with other trips or staff schedules need changing.

Once the librarian submits the local purchase request, both a Supervising Librarian and the Senior Acquisitions Librarian must review and approve the request. The Senior Acquisitions Librarian reviews the request essentially to make certain that the vendor is reputable, reliable, competitive, and understands the Library's shipping and invoicing requirements.

Accordingly, this review is an important control over the local purchase process. However, based upon our sampling of 120 local purchase requests, we determined that librarians did not submit 48 percent of their local purchase requests at least two weeks before the local purchase buying trip as required. In fact, 10 of the 120 local purchase requests were dated one to three days

before the planned buying trip, and two of the requests were submitted on the same day as the buying trip. Further, we noted that the Senior Acquisitions Librarian signed 3 percent of the local purchase requests after the buying trip and did not sign at all on 10 percent of the requests.

Since 13 percent of our sampled 120 local purchase requests did not receive advance Senior Acquisitions Librarian review and approval, purchasing librarians effectively awarded \$7,353 of business to local vendors without proper approval. Based on our statistical sample of 1988-89 local purchases, we estimate that librarians awarded approximately \$32,000 in local purchases to vendors without proper approval.

Librarians Exceed Their Authorized Spending Limits On 26 Percent Of Local Purchases

The Library establishes a maximum spending limit for each local purchase trip. The dollar amount authorized may be set based on budgeted funds available, collection development goals, and vendor stock availability. However, our review found that librarians exceeded their spending limit 26 percent of the time, with the overages ranging from a few cents to more than \$600. Moreover, 24 percent of the local purchases which exceeded the authorized dollar limit did so by more than \$100.

In our opinion, these over-expenditures occurred because the Library lacks written procedures for accepting or rejecting local purchases in excess of authorized limits. In addition, librarians are not required to provide a written justification for any overspending that is forwarded to management. If Library management had written procedures for handling excessive local

purchases and required written justification for overspending, it would have additional information for staff performance evaluations and budgetary decisions concerning remaining acquisition allocations.

The Library Lacks Sufficient Control Over The Receipt Of Local Purchase Materials

An important control objective for any organization procuring goods and services is to ensure that it only accepts receipt of materials that are the same type, quantity, and price as ordered. For other than local purchases, the Library achieves this objective by comparing its purchase order to both the shipment of materials received and the vendor's invoice. If there are discrepancies, the Library's procedures help staff decide whether to reject the materials, or accept them and adjust the vendor's invoice. Thus, this control reduces the risk that the Library will accept and pay for materials which differ from the type, quantity, or price ordered.

Our review found, however, that the Library lacks sufficient receiving controls for local purchases. For these purchases, the Library does not issue a purchase order that identifies the specific titles, quantities, and prices of the materials to be purchased. Instead, the Library issues a memorandum authorizing selectors to purchase specific categories of materials up to a maximum dollar amount. Consequently, the task of verifying materials received is more difficult than for a standard purchase order.

Without a purchase order to compare against the materials received, the Library must rely on a control that some vendors impose on Library staff. Specifically, this occurs when the vendor requires the selecting librarian to

sign an itemized invoice before leaving the store. The Library then uses a copy of this signed invoice to compare to the materials when they arrive at the Library. Although this control appears to be adequate, our review found that this control occurs in only 20 percent of the local purchases. Therefore, for the other 80 percent of local purchases, the Library lacks any control to ensure that the type, quantity, and price of materials received are the same as what the librarian selected at the vendor's store.

Without adequate receiving controls for a majority of local purchases, the Library is exposed to substantial risk. Specifically, this situation provides an opportunity for vendors to pad shipments with unwanted materials or to charge higher prices than agreed upon. For example, we found that on 68 percent of the local purchase trips, librarians spent as much as \$2,000 less than the authorized limit. This often occurs because the vendor's stock on hand did not yield as many selections as anticipated. While the practice of underspending should not be discouraged, per se, the Library should recognize that underspending and the absence of signed invoices provides opportunities for vendors to pad shipments or alter prices.

In our opinion, the Library should implement a local purchase procedure whereby the librarian making the purchase must record the type and quantity of materials selected at each price before leaving the store. The librarian could use a pre-printed tally sheet or a hand-held calculator with paper tape to record the quantity of materials selected at each price. The librarian should calculate the dollar and quantity totals and complete the tally sheet which both the librarian and vendor should sign before the librarian leaves the store.

The purchasing librarian should submit the signed tally form to the Library immediately after the buying trip. In the case of small quantities of materials that the librarian hand-carries, the tally form should accompany the materials. If the vendor ships the selected materials at a later date, the Library should hold the tally form and compare it to the vendor's invoice and shipment when they arrive. This procedure would not apply when the vendor prepares an itemized invoice that the librarian must sign before leaving the store.

The Library Does Not Verify That Vendors Discount Local Purchases As Agreed

The Library needs various controls to ensure that vendors properly discount purchases as agreed. One important control is to compare the discount shown on the invoice to the expected discount rate. Furthermore, for this control to be effective, the Library needs to maintain current and complete information files for each vendor. These files, at a minimum, should contain the store locations, mailing addresses, phone numbers, contact names, and the agreed upon discount rate. Incomplete or outdated information on local purchase vendors may result in the Library not obtaining the best service or lowest vendor offered prices.

Our review of local purchases disclosed that the Library does not routinely compare the discount rate on a vendor's invoice to the expected discount rate. As a result, the Library did not identify several instances in which the discount rate on the vendor's invoice differed from the rate recorded in its records. Specifically, 8 of 30 vendors, in our sample of local

purchases, gave a discount that differed from the rate shown on the Library's preferred local purchase vendor source list. Consequently, the Library apparently lost \$1,195.89 in discounts on ten local purchases because it did not compare the rates received to those expected. As a result, these discrepancies went undetected and the Library paid more than it should have for the materials received. To the extent our sample was representative, the Library may have lost discounts to which they were entitled on other local purchases.

Our review also found that the Library does not have current information in their local purchase vendor file. For example, 69 percent of the local purchase vendor information sheets are dated prior to 1988. In addition, our sample of local purchases disclosed that 23 percent of the vendors used had no information sheet in the Library's file. Furthermore, when information was changed on the vendor information sheets, effective dates were not recorded. Thus, the sheets only showed the dates that account relationships were established. Some of these relationships go back to 1978.

Finally, we observed a great disparity in the discounts offered by local purchase vendors. For example, the Library's preferred local purchase vendor source list shows 43 vendors. Of these 43 vendors, 10 offer no discounts and 30 offer discounts ranging from 5 to 50 percent. For three of the preferred vendors, librarians are instructed to "ask for discount."

According to the Senior Acquisition Librarian, she renegotiates discounts, at least annually, with all vendors. While this appears to be a sound practice, we were unable to find any documentation to support the claim that these calls were actually made. In our opinion, the Senior Acquisitions

Librarian should document when calls to vendors are made. Such documentation could be as simple as one sentence on the vendor's file sheet indicating the date the call was made, and what agreements were reached, if any.

CONCLUSION

Our review found that the Library needs to strengthen its controls over its local purchase process. Specifically, we found:

- ◆ The Library lacks a written policy that defines when the local purchase process should be used;
- ◆ Library staff do not fully comply with the Library's authorization procedures for local purchases;
- ◆ Librarians exceeded their authorized spending limits on 26 percent of local purchases;
- ◆ The Library lacks sufficient control over the receipt of local purchase materials; and
- ◆ The Library does not verify that vendors discount local purchases as agreed.

As a result, the Library is exposed to local purchase funds being used improperly.

RECOMMENDATIONS

We recommend that the Library:

Recommendation #15:

Develop and implement a policy statement on the proper use of the local purchase process. The Library should also distribute written procedures and provide training to its staff to ensure that the local purchase process is used in accordance with its policy. (Priority 3)

Recommendation #16:

Distribute written procedures and provide training to its staff on how to request and document the authorization to use the local purchase process. (Priority 3)

Recommendation #17:

Develop and implement written procedures that require local purchase buyers to record a tally of the quantity and price of materials selected when the vendor does not provide a detailed invoice at the time of purchase. The Library should also distribute written procedures and provide training to its staff on how to use this tally to verify local purchase materials received.

(Priority 2)

Recommendation #18:

Develop and implement written procedures for rejecting or accepting local purchases in excess of authorized limits. These procedures should require purchasing librarians to provide a written explanation for overages in excess of a specified amount and require management to record its review and any follow-up actions taken. (Priority 2)

Recommendation #19:

Develop and implement written procedures for maintaining current information on all local purchase vendors, including price discounts offered and negotiated. The procedures should provide for adequate documentation of calls made to vendors to update information or negotiate discounts. The Library should also provide updated lists of preferred local vendors to librarians to assist them with planning local purchase trips. (Priority 3)

Recommendation #20:

Develop and implement written procedures for comparing the price discount percentage received on vendor invoices to the agreed rate as shown in the Library's local purchase vendor information file. These procedures should include steps to be taken when a discrepancy is found. (Priority 2)

FINDING VI

The Library Needs Additional Controls Over Its Leased Book Collection

The Library uses a book leasing agreement in order to obtain popular books faster and more efficiently. This agreement costs the Library a flat \$90,000 per year and provides that the Library can 1) have up to 12,360 leased books at any one time, 2) transfer 20 percent of the annual lease allotment to its permanent collection, and 3) lose up to 10 percent of the annual lease allotment at no extra charge provided such losses are reported every six months. Accordingly, it is important that the Library maintain adequate controls over its leased book collection. However, our review revealed that the Library lacks sufficient controls to ensure prompt identification and reporting of lost leased books. In addition, it lacks controls to verify the accuracy of the lessor's records regarding the books the Library should have. As a result, the Library may not be maximizing the \$90,000 it spends each year on leased books.

The Lease Agreement

The Library uses the McNaughton Book Service (lessor) to lease books. This service allows the Library to provide patrons with popular books faster than if the Library purchased the books because the books are available at publication date and the Library does not have to catalog them. Further, the Library can lease multiple copies of books with high demand and then return the extra copies when demand is reduced. This practice frees up shelf space for new books.

The Library spends \$90,000 per year on the McNaughton lease agreement. The Library renews the agreement each August. The 1988-89 agreement provides a maximum outstanding leased book inventory level of 12,360 books and allows the Library to order 618 new books per month. Books which retail for less than \$20 count as one book; those which retail for \$20 or more count as two or more. The Library must return books if it exceeds the maximum inventory level.

The lease agreement has several other key provisions. For example, it allows the Library to transfer 20 percent of the annual lease allotment to its permanent collection. The lessor records this transfer once a year and reflects these transfers in the monthly reports it sends to the Library. The transfer is recorded as a reduction of outstanding number of books leased.

The lease agreement also indicates that lost books are to be reported every six months. Furthermore, the lessor allows the Library to lose up to 10 percent of the annual lease allotment at no extra charge. However, the Library must report lost books by title and by branch.

The Library Does Not Report Lost Leased Books In A Timely Manner

To maximize the benefits of its \$90,000 per year lease agreement, the Library needs to identify and report lost books in a timely manner. In fact, the lessor requires that the Library report lost books at least every six months. Unless the Library reports lost leased books, the lessor will continue to include those books in the Library's inventory. As a result, the number of actual books the Library can have in its inventory at any one time will be

effectively reduced. For example, suppose the Library has the maximum number of leased books allowable under the lease agreement and fails to report that it lost 100 leased books. In this case, the Library would lose the opportunity to carry 100 books in its leased book inventory at no extra charge.

Our review found, however, that the Library lacks sufficient controls to ensure prompt identification and reporting of lost books. Specifically, the Library lacks a procedure for periodically inventorying its leased book collection and for reporting lost books to the lessor at least every six months. As a result, the Library has not identified and reported lost leased books in a timely manner. For example, we examined a sample of the leased book collection at one branch library and at the Main Library to determine if lost books had been identified and reported. We could not account for 6 of 49 leased books at the branch library and 8 of 50 leased books at the Main Library. Thus, we could not account for 14 of the 99 leased books we sampled at these two locations. We also found that the Library did not report lost books to the lessor every six months as required. In fact, the Library reported lost books to McNaughton in November 1989, 20 months after the last report in March 1988.

The Library Is Not Verifying The Accuracy Of The Lessor's Records

The Library also needs to verify the accuracy of the lessor's records. Each month the lessor submits a monthly statement of transactions to the Main Library and all of the branch libraries which includes the following information:

- ◆ Number of books ordered;

- ◆ Number of books shipped;
- ◆ Number of books returned;
- ◆ Inventory level; and
- ◆ Adjustments such as the 20% annual transfer to the permanent collection and books reported lost.

The statement is a summary of the lessor's record of transactions for the month. To ensure that the information on the statement is correct, the Library should compare its own records with the lessor's records. However, we observed that the Library does not reconcile the information on the lessor's monthly statements. As a result, errors on the statement may not be detected and could result in the Library not getting full benefit of the lease.

CONCLUSION

The Library needs additional controls over its leased book collection in order to maximize its \$90,000 per year book leasing agreement. Specifically, the Library needs additional controls to identify and report lost books and verify the accuracy of the lessor's monthly reports.

RECOMMENDATIONS

We recommend that the Library:

Recommendation #21:

Develop and implement a written procedure for performing a periodic physical inventory of its leased books to identify lost books. (Priority 3)

Recommendation #22:

Develop and implement a written procedure for reporting lost books to the lessor every six months as the lease contract requires. (Priority 3)

Recommendation #23:

Develop and implement a written procedure for reconciling its records with the lessor's monthly reports. (Priority 3)

FINDING VII

THE LIBRARY NEEDS TO DEVELOP A BOOKSTOCK GOAL THAT IS ATTAINABLE AND APPROPRIATE FOR A CITY THE SIZE OF SAN JOSE

The Library uses the Horizon 2000 Plan's service level goal of providing 2.82 books per capita to determine its bookstock needs and to prepare its budget. However, our review revealed that the goal is unrealistic as it would require the Library to more than double its existing collection. Further, we found that 2.82 books per capita may not be a valid benchmark for evaluating San Jose's bookstock needs. Specifically, the manner in which the goal was determined is questionable. In addition, we found that San Jose's 2.82 books per capita goal is higher than a suggested standard that was developed in 1975 and is significantly higher than the current bookstock per capita ratios in comparable California public libraries. As a result, it appears that the Library is using a bookstock goal for budgeting and planning purposes that is both unrealistic and questionable.

The Horizon 2000 Plan's Bookstock Goal Is Unrealistic

The Horizon 2000 General Plan that the City Council approved in 1984, established service goals for the Library including library space, service hours and books per capita. One of the Horizon 2000 Plan's specific goals was to provide 2.82 books per capita in the City's libraries. The Library uses this goal to plan for its bookstock needs and prepare its five-year Capital Improvement Program budget.

In establishing goals for serving the community, professional literature suggests that:

“...a library should study and formulate what it should or should not attempt. With specific objectives it can plan its immediate and long-range program. Goals determine daily decisions and make book selection more effective. They influence the internal organization, the selection and assignment of staff members, and the quality and kind of service... The statement of goals should be realistic and possible to achieve.”

(Wheeler and Goldhor, Practical Administration of Public Libraries)

The Library and the City Council both need realistic and achievable goals in order to make budgetary and policy decisions. Conversely, unattainable goals may skew the planning process, raise unrealistic expectations or result in wasted effort preparing plans that are of limited value.

At current funding levels, the Horizon 2000 bookstock goal of 2.82 books per capita is unrealistic. To achieve this goal by the year 2000, we estimate that the Library would need a collection of 2.6 million volumes for a population of 928,000. This would require that the current 1.1 million volume collection be more than doubled in the next 10 years. This could only be accomplished if the Library's annual level of materials expenditures, or alternate funding, were significantly increased. Specifically, the Library has estimated that it would take \$12 million (in addition to its current annual capital budget allocation of approximately \$1.5 million for materials) to achieve its 2.82 books per capita goal. Moreover, the Library lacks the shelf space to accommodate such a large number of materials. For example, one branch had to discard 18,000 items over a two year period to make room for

newly purchased books. Further, the Library has a goal to discard five percent of its bookstock each year. This goal equates to about 50,000 books per year.

Without a major shift of priorities or major increase in revenues, the City will not be able to provide the resources the Library needs to meet its 2.82 books per capita goal. In fact, the Library has recommended that the City issue a bond to fund the improvement and expansion of San Jose's libraries to accommodate its bookstock and other Horizon 2000 goals. This \$164 million proposal would more than double the size of the branch library system and includes \$18.7 million for collection materials.

The problem of limited resources is not unique to the Library. The Horizon 2000 process highlighted the desire to improve all levels of City services within the following fiscal context:

"A 21% increase in the City's operating budget, or \$41,000,000 for Fiscal Year 1983-84, would be required to meet the desired service levels identified as service level goals in this Plan."

(Horizon 2000 General Plan, Revised 12/87).

In short, Horizon 2000 concluded that San Jose's tax base was inadequate. Thus, deciding service priorities in that context becomes a political task.

The Horizon 2000 Plan's Books Per Capita Goal Is Questionable

The Council approved the Library's service level goals as part of the Horizon 2000 process. However, our review found that the method used to determine the Horizon 2000 Plan's books per capita goal was questionable for

determining the bookstock needs of San Jose. Specifically, the goal was based on the average books per capita in Santa Clara County libraries. This is questionable because San Jose, by virtue of its size, can maintain a much larger and broader collection, at a lower per capita ratio, than other public libraries in Santa Clara County.

As TABLE III shows, libraries in Santa Clara County, with the exception of the County Library system, are all much smaller library systems and serve much smaller populations.

TABLE III
COMPARISON OF SAN JOSE'S BOOKSTOCK RATIOS
WITH THE BOOKSTOCK RATIOS OF THE OTHER
PUBLIC LIBRARIES IN SANTA CLARA COUNTY

<i><u>Libraries</u></i>	<i><u>Number Of Volumes (Thousands)</u></i>	<i><u>Population Served (Thousands)</u></i>	<i><u>Number Of Books Per Capita</u></i>	<i><u>Materials Expenditures Per Capita</u></i>
San Jose	1,121 (1)	733 (1)	1.53 (7)	\$ 1.97 (7)
Santa Clara County	1,073 (2)	343 (2)	3.13 (4)	\$ 3.41 (3)
Sunnyvale	277 (3)	117 (3)	2.37 (6)	\$ 2.69 (6)
Santa Clara	264 (4)	89 (4)	2.95 (5)	\$ 3.36 (4)
Palo Alto	227 (5)	68 (5)	3.35 (3)	\$ 7.22 (1)
Mountain View	193 (6)	56 (6)	3.45 (2)	\$ 3.34 (5)
Los Gatos	123 (7)	28 (7)	4.38 (1)	\$ 4.58 (2)
<i>Averages</i>	<i>468</i>	<i>205</i>	<i>3.02</i>	<i>\$ 3.80</i>

NOTE: Santa Clara County Library serves the unincorporated areas in the county as well as the cities of Campbell, Cupertino, Gilroy, Los Altos, Milpitas, Morgan Hill and Saratoga.

SOURCE: California Public Library Statistics 1989 (California State Library)

As is shown above, Los Gatos had the county's highest ratio of books per capita in 1988. However, Los Gatos' collection totaled only 123,000 volumes. San Jose, on the other hand, had only one-third of Los Gatos' books per capita but also had nearly ten times as many volumes as Los Gatos. Thus,

even though its books per capita is much less than Los Gatos, San Jose should be able to provide a comparable or better selection of materials to its patrons than does Los Gatos.

In our opinion, a more appropriate measure for determining San Jose's books per capita would be to compare it to other similar libraries. Therefore, as part of our audit, we reviewed the bookstock ratios of other California libraries of comparable size. We found that these libraries have similar current bookstock per capita ratios and seem to be spending similar amounts of money for books as does San Jose. As TABLE IV shows, when compared to the other nine largest public libraries in California, San Jose ranked 7th in population served, 7th in number of volumes, 7th in books per capita, and 6th in materials expenditures per capita in 1988.

TABLE IV
COMPARISON OF SAN JOSE'S BOOKSTOCK RATIOS
WITH THE BOOKSTOCK RATIOS OF THE OTHER TEN LARGEST
PUBLIC LIBRARIES IN CALIFORNIA

<i><u>Libraries</u></i>	<i><u>Number of Volumes (Thousands)</u></i>	<i><u>Population Served (Thousands)</u></i>	<i><u>Number Of Books Per Capita</u></i>	<i><u>Materials Expenditures Per Capita</u></i>
Los Angeles	5,263 (1)	3,362 (1)	1.57 (6)	\$ 1.37 (9)
Los Angeles County	4,112 (2)	2,994 (2)	1.37 (10)	\$ 2.02 (5)
San Francisco	1,864 (3)	741 (6)	2.51 (2)	\$ 2.53 (3)
Orange County	1,693 (4)	1,137 (3)	1.49 (9)	\$ 2.96 (2)
San Diego	1,613 (5)	1,059 (4)	1.52 (8)	\$ 2.16 (4)
Sacramento	1,575 (6)	962 (5)	1.64 (5)	\$ 1.90 (7)
San Jose	1,122 (7)	733 (7)	1.53 (7)	\$ 1.97 (6)
Santa Clara County	1,073 (8)	343 (10)	3.13 (1)	\$ 3.41 (1)
Fresno County	1,007 (9)	593 (8)	1.70 (4)	\$ 0.76 (8)
Kern County	970 (10)	511 (9)	1.90 (3)	\$ 1.28(10)
<i>Average</i>	<i>2,029</i>	<i>1,243</i>	<i>1.84</i>	<i>\$ 2.04</i>

SOURCE: California Public Library Statistics 1989 (California State Library)

In 1975, the National Inventory of Library Needs suggested a standard for print materials of:

“10,000 volumes, or three per capita, whichever is greater, up to 500,000 population; above 500,000 population, 1.5 million volumes plus two per capita in excess of 500,000.”

(Wheeler and Goldhor, Practical Administration Of Public Libraries)

This standard also points out the fact that larger libraries do not need as high of a books per capita ratio because of their sheer size. Furthermore, this formula translates to 2,356,000 volumes or 2.54 books per capita for San Jose in the year 2000. When compared to the Library’s 2.82 books per capita goal, the recommended 2.54 books per capita equates to 260,000 fewer volumes.

It should be noted that library experts disagree on the value of national standards because of inherent community differences. However, for the purpose of our review, an authoritative suggested standard was instructive.

Our review also revealed the limitations of relying on bookstock ratios. For example, the number of books per capita does not measure how good or how sufficient the collection is. Further, the number of books per capita offers no guarantee of effective library service. However, tracking bookstock ratios can provide useful planning information. Specifically, changes in the ratio can indicate whether the Library’s resources are keeping pace with a growing population.

CONCLUSION

The Library uses the Horizon 2000 Plan's 2.82 books per capita goal for budgeting and planning purposes. Our review revealed that this goal is unrealistic and questionable. Specifically, the Library cannot attain this goal without a major increase in revenues or a major shift in City-wide priorities. Further, we found that the Horizon 2000 2.82 books per capita goal was based on a questionable standard that may not be a valid benchmark for determining levels of service for San Jose's libraries. In addition, we found that the 2.82 books per capita goal exceeds a suggested standard that was developed in 1975 and is significantly higher than the current bookstock ratios in comparable California library systems.

RECOMMENDATIONS

We recommend that the Library:

Recommendation #24:

Develop short-term and long-term bookstock goals for planning and budgetary purposes that are attainable and appropriate for a city the size of San Jose. (Priority 3)

FINDING VIII

THE LIBRARY DOES NOT HAVE CURRENT WRITTEN PROCEDURES FOR SOME OF ITS UNITS

The Library does not have up-to-date written procedures documenting all of the Acquisitions Unit's functions. Specifically, the Library has not developed written procedures for some functions and needs to update the written procedures it has developed for other functions. By preparing and routinely reviewing its written procedures, Library management will have added assurance that current and future Acquisitions Unit staff will understand management's policies and expectations.

The Library Does Not Have Current Written Procedures Documenting All Staff Functions

Written procedures are an important management control. Specifically, written procedures clarify management's policies and expectations and provide assurance that staff are following management's directives. Procedures also aid in training new employees and preserving valuable institutional knowledge that can be lost when long-time employees leave. To be used effectively, written procedures need to be complete and obsolete procedures need to be promptly replaced.

However, our review found that the Library does not have a current procedures manual for its Acquisitions Unit. In particular, the Library has not prepared written procedures for some of the critical staff functions in the Order Unit including: vendor selection, INNOVACQ data entry, purchase order handling and placement of orders with outside vendors. Furthermore,

existing written procedures for other Units have not been updated. For example, procedures for the Fund Accounting and Receiving Units became obsolete with the introduction of the INNOVACQ computer system in November 1986. In addition, the Library's Administrative Manual does not assign responsibility for reviewing and updating written procedures in the various units. As a result, the Library is exposed to the risk that management's policies and expectations are not being accurately communicated to the staff responsible for carrying out those policies.

CONCLUSION

Our review found that the Library's procedures manuals for the Ordering, Receiving and Fund Accounting Units are incomplete and not current. Furthermore, the Library lacks policies and procedures that assign responsibility and define the process for routinely updating written procedures. As a result, Library staff in key areas may not understand what management expects from them.

RECOMMENDATIONS

We recommend that the Library:

Recommendation #25:

Develop, update and implement written procedures for the Ordering, Receiving and Fund Accounting Units. (Priority 3)

Recommendation #26:

Develop and implement policies and procedures that assign responsibility and define the process for routinely updating written procedures. (Priority 3)